

**Six questions to Ivan Bouillot,  
BL-European Family Businesses fund manager.  
The profile of family business is an excellent fit  
with our investment approach**

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**In the current economic and financial context, marked by excessive government debt and historically low interest rates, it is difficult to find investment solutions that offer attractive long-term return expectations with limited risks. It therefore makes sense to focus on the shares of high-quality companies offering the prospect of a decent return.**



**Six questions to Ivan Bouillot, BL-European Family Businesses fund manager. Ivan, why do you have a fund specially for family businesses?**

Ivan Bouillot (IB): *We have been following family businesses for many years and we particularly value their profile which is an excellent fit with our investment approach. By definition, a family business has a key long-term shareholder whose interests are aligned with those of the business and who is driven by a desire to develop a project for the long term. In daily management, family businesses also draw on a spirit of family entrepreneurship. The ramifications of these two features give family businesses a unique status, differentiating them from companies with a dispersed shareholder base that are more focused on financial imperatives.*

*We decided to crystallise this idea in the creation of the BL-European Family Businesses fund and exploit the relevance of the family business model rather than dilute the theme in our existing European equity funds, BL-Equities Europe and BL-European Smaller Companies.*

**What are the specific features of a family business?**

IB: *The family's commitment from generation to generation means that the family approach favours continuity and resilience rather than performance at any price, and stems from a determination to construct and pass on a lasting project. The business therefore follows a charted course, ensuring it has the necessary resources without overestimating its capacities, and allows itself time to see the project through. Although the family heritage makes for a more cautious strategy, it nevertheless embraces entrepreneurial dynamics. The balance of these two forces is probably one of the cornerstones of success and longevity and gives family businesses a more stable risk profile over time.*

*On top of this, the management of a family business hinges on more than simple economic imperatives: it has close relations with the parties it deals with and tends to establish partnerships and trust. It also takes a responsible attitude to its employees, recognising human capital as a foundation of success. The loyalty and commitment this generates help fuel productivity and responsiveness. These aspects combine to strengthen the structure of the business and its commercial positioning.*

*Furthermore, it is the family that defines the company's ethos, practices and underlying attitudes, making the business a vector for the family's vision and the values it advocates. This roots the company in a formidable business culture driven by core values of commitment, integrity, humility and passion.*

### **Do family businesses have their own distinct financing strategy?**

*IB: Yes, family businesses are sensitive to the preservation of family independence and the company's flexibility, as well as the risk of dilution of capital. Therefore, maintaining their financial autonomy is a priority. They prefer self-financing and low levels of debt, which helps them maintain a healthy balance sheet. They tend to avoid financial instability so as not to put the family's wealth at risk.*

### **How do you identify appropriate family businesses for the portfolio and what are your selection criteria?**

*IB: We select family businesses from two points of view: first by ascertaining the family dimension of the business and then evaluating its qualitative profile, applying our traditional BLI methodology.*

*The family businesses we select are European companies in which a significant portion of the capital is owned by the family, or family interests in the case of multi-generational businesses, or by an entrepreneur for first-generation companies. The baseline is at least 25% of voting rights as this gives a practical say in the strategic, financial and even operational direction of the business. We also look for the family's active participation in the company, either in terms of operational posts or by its direct or indirect presence on the board of directors. And we also attach great importance to the existence of a family and social culture within the business and to the intention to preserve the business within the family domain.*

*Once we have verified the family dimension, we apply BLI's entrepreneurial approach, whereby each investment is considered as a long-term stakeholding in the company's capital. The company must meet strict criteria, especially the resolve to build on its competitive advantage, solid fundamentals and a relevant business strategy.*

### What are the particular features of the fund?

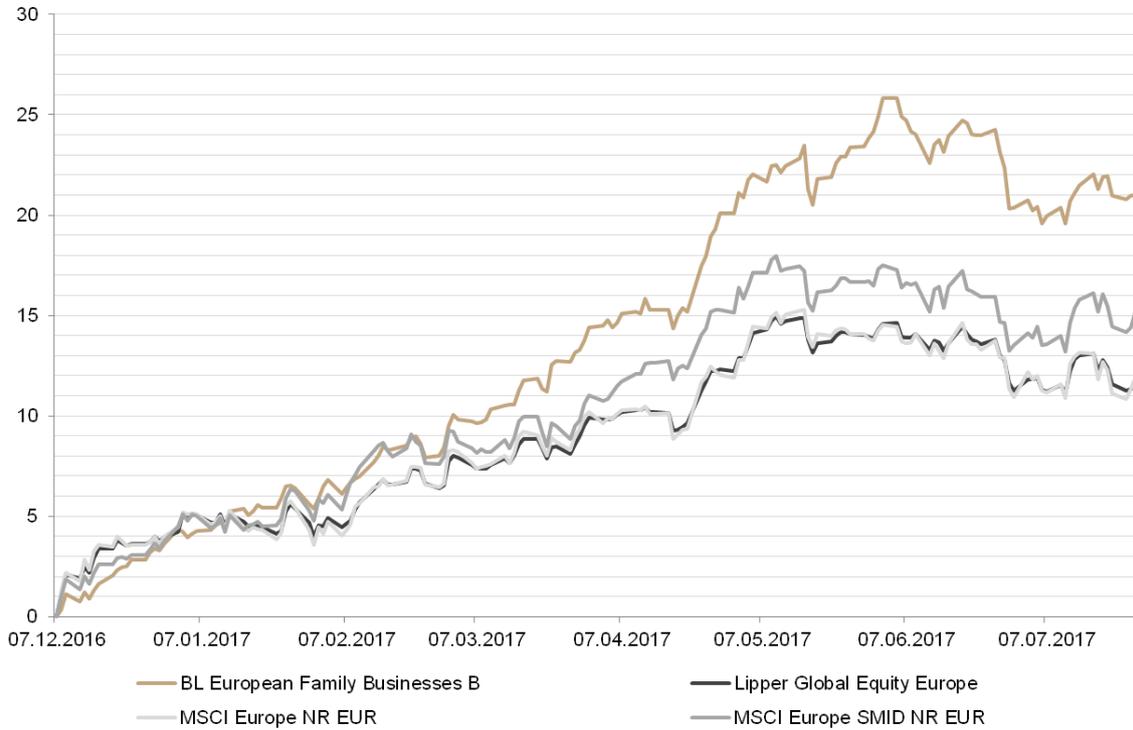
*IB: We decided to construct a diversified portfolio of around 80-90 family businesses in the first instance, to give us access to a broader range of niche companies since their liquidity tends to be low. This gives us an interest in a great variety of end markets, each with their own growth vectors: high-end fitness equipment (Technogym), technical textiles (Sioen), fastener technology and logistics (Bossard), cork products (Corticeria Amorim), dairy products (Fromageries BEL), medical equipment for the elderly (Bastide), or software for robotics and automation (Isra Vision). At the same time, we also hold some larger companies in which the family is still very involved, such as Henkel, LVMH, Coloplast, Rational and Luxottica.*

*In keeping with the nature of European family businesses, the portfolio includes the traditional sectors of consumer goods, industry, construction, healthcare and technology. However, it is absent from highly capital-intensive sectors and finance, where fewer family businesses operate, largely because of the massive financing requirements. The portfolio is concentrated on France, Italy, Germany, Switzerland and Belgium, with very little exposure to the UK.*

### The fund was launched in December 2016. How would you sum up the last eight months?

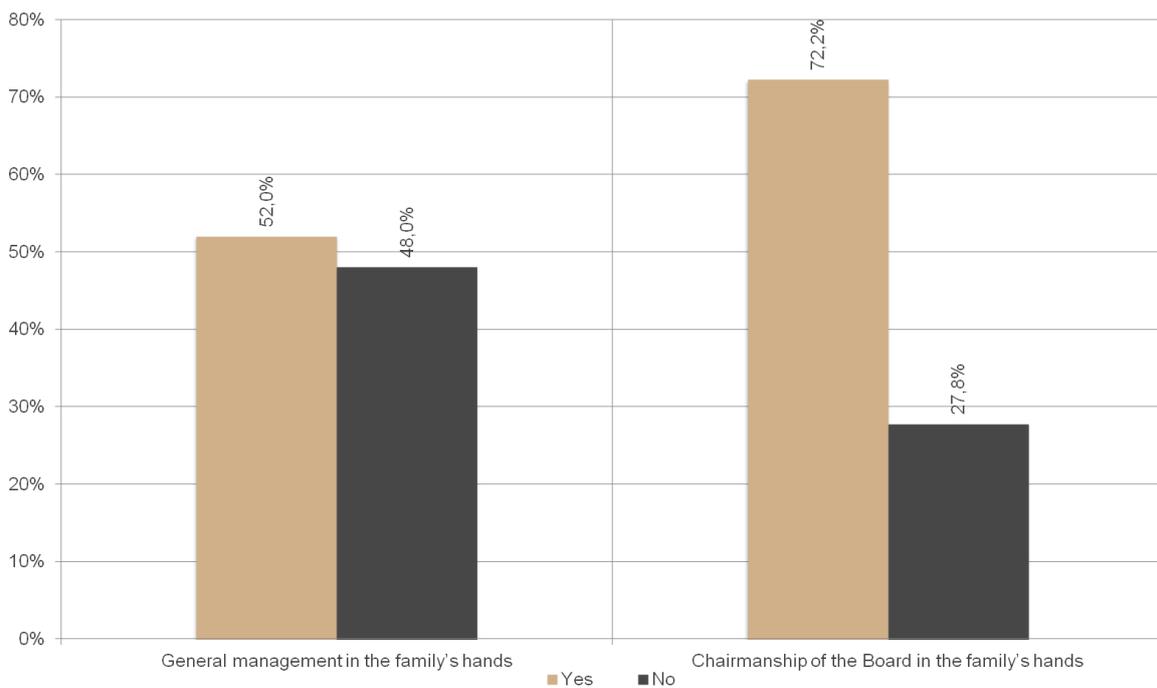
*IB: In terms of performance, the results are positive. However, this is too short a period to make a proper performance assessment. Nevertheless, we are reassured by the fund's capacity so far to absorb market corrections. This is certainly something that family businesses have traditionally demonstrated and on which we place great importance. We are also satisfied with the quality of the portfolio and our contacts with individual companies. All this boosts our confidence in the long-term prospects for our investments given the structural development potential of many family businesses and the positive dynamics and governance that underpin them.*

**Performance of BL-European Family Businesses since launch (6 December 2016)**



Source: BLI

**Family control of voting rights**



30/06/2017

Source: BLI